

DEPARTMENT OF STATE REVENUE
LETTER OF FINDINGS NUMBER: 96-0170 ST
Sales and Use Tax
For The Tax Periods: 1991, 1992, and 1993

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ISSUES

I. Sales/Use Tax: Purchase of "Rinsate System" and "Upstairs Office"

Authority: IC 6-2.5-2-1, IC 6-2.5-3-2, 45 IAC 2.2-3-10, IC 6-8.1-5-4

Taxpayer protests tax assessed on its purchase of a "rinsate system" and "upstairs office."

II. Tax Administration: Negligence Penalty

Authority: IC 6-8.1-10-2.1

Taxpayer protests the Department's assessment of negligence penalty.

STATEMENT OF FACTS

Taxpayer provides lawn, tree and shrub care services to primarily the residential market.

I. Sales/Use Tax: Purchase of "Rinsate System" and "Upstairs Office"

DISCUSSION

Retail transactions made in Indiana are subject to sales tax. IC 6-2.5-2-1. Use tax is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction. IC 6-2.5-3-2.

Taxpayer hired a contractor to install a "rinsate system" and "upstairs office". Citing 45 IAC 2.2-3-10, taxpayer contends that the contractor is liable for tax. However, this rule pertains to a contractor's purchase of materials in a retail transaction. Taxpayer's liability as to the retail transaction for the "rinsate system" and "upstairs office" depends upon whether the taxpayer was billed for time and materials or in a lump sum contract. Taxpayer failed to present documentation, such as invoices, to support its contention.

Pursuant to IC 6-8.1-5-4(a), every person subject to a listed tax must keep books and records so that the department can determine the amount, if any, of the person's liability for that tax by reviewing those books and records. Records should include all source documents necessary to determine the tax, including invoices, register tapes, receipts, and canceled checks. Taxpayer has not submitted documentation to support its protest. Thus, the protested items are subject to tax.

FINDING

Taxpayer's protest is denied.

II. Tax Administration: Negligence Penalty

DISCUSSION

Taxpayer was assessed a negligence penalty for failure to remit use tax to the Department. Taxpayer argues that this deficiency was due to reasonable cause. Taxpayer argues the reasonable cause was due to large growth in its business and its concentration on sales tax issues. Taxpayer contends that its focus on sales tax issues shows that its deficiency as to use tax was not due to willful neglect. The Department finds that the taxpayer's lack of sufficient records and use tax deficiency warrant the assessed negligence penalty.

FINDING

Taxpayer's protest is denied.